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# ANNUAL AUDITED REPORT FORM X-17A-5 PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01-01-07 AND ENDING 12-31-07  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:	OFFICIAL USE ONLY FIRM I.D. NO.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.) <u>600 Beacon Parkway West, Ste. 950</u> (No. and Street) <u>Birmingham</u> <u>AL</u> <u>35209</u> (City) (State) (Zip Code)	
NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT <u>Loyd King</u> <u>205-822-2872</u> (Area Code - Telephone Number)	

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report* <u>Barfield, Murphy, Shank &amp; Smith, PC</u> (Name - if individual, state last, first, middle name) <u>1121 Riverchase Office Road Birmingham,</u> (Address) (City) <u>35244</u> (State) (Zip Code)	THOMSON FINANCIAL MAR 11 2008 FEB 28 2008 603
CHECK ONE: <input checked="" type="checkbox"/> Certified Public Accountant <input type="checkbox"/> Public Accountant <input type="checkbox"/> Accountant not resident in United States or any of its possessions.	

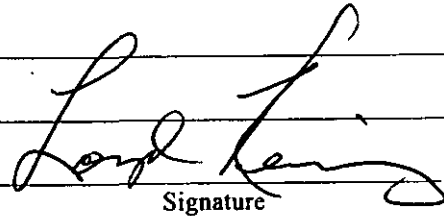
FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

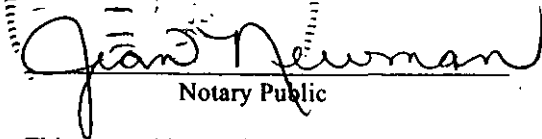
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## OATH OR AFFIRMATION

I, Loyd G. King, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Aura Financial Services, Inc., as of December 31, 20 07, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

  
Signature

Fin Op  
Title

  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**AURA FINANCIAL SERVICES, INC.**

Financial Statements  
And Supplementary Schedules

December 31, 2007

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Derrel G. Curry, CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Aura Financial Services, Inc.  
Birmingham, Alabama

We have audited the accompanying statement of financial condition of Aura Financial Services, Inc. as of December 31, 2007 and the related statements of income, stockholders' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aura Financial Services, Inc. as of December 31, 2007 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary schedules on pages 13-15 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Barfield, Murphy, Shank & Smith, P.C.*

Birmingham, Alabama  
February 25, 2008

**AURA FINANCIAL SERVICES, INC.**  
Statement of Financial Condition  
December 31, 2007

**Assets**

Current assets

Cash and cash equivalents	\$ 80,577
Certificates of deposit	48,426
Receivable from broker-dealers and clearing organizations	627,948
Deferred income taxes	10,750
Prepaid expenses and other current assets	64,869
	<u>832,570</u>

Security deposit

25,128

\$ 857,698

**Liabilities and Stockholders' Equity**

Current liabilities

Accounts payable	\$ 59,709
Accrued litigation	50,000
Accrued salaries and commissions	382,330
Income taxes payable	20,007
Payable to broker-dealers and clearing organizations	26,993
	<u>539,039</u>

Stockholders' equity

Class A common stock, \$.01 par value, 50,000 shares authorized, 5,000 shares issued and outstanding	50
Class B common stock, \$.01 par value, 100,000 shares authorized, 58,628 shares issued, 6,468 shares outstanding	586
Additional paid-in capital	204,022
Treasury stock, at cost, 52,160 shares	(185,747)
Retained earnings	299,748
	<u>318,659</u>
	<u><u>\$ 857,698</u></u>

See notes to financial statements.

**AURA FINANCIAL SERVICES, INC.**

## Statement of Income

Year ended December 31, 2007

Sales	
Listed securities	\$ 3,064
OTC securities	5,644,648
Mutual funds	907,565
Variable annuities	993,492
Options	317,732
Miscellaneous	333,195
	<u>8,199,696</u>
Cost of sales	
Commissions	5,955,917
Clearing charges	221,423
	<u>6,177,340</u>
Gross profit	2,022,356
Interest income	424,300
	<u>2,446,656</u>
Operating expenses	
Salary and employee benefits	1,068,344
General and administrative	1,027,512
Rent	222,000
Data information systems	138,599
Professional fees	284,173
Postage	20,967
Licenses	9,127
Other	82,568
	<u>2,853,290</u>
Loss from operations	(406,634)
Other income	
Postage reimbursement	446,522
	<u>446,522</u>
Income before income taxes	39,888
Income tax expense	10,287
	<u>10,287</u>
Net income	<u><u>\$ 29,601</u></u>

See notes to financial statements.

**AURA FINANCIAL SERVICES, INC.**  
Statement of Stockholders' Equity  
Year ended December 31, 2007

	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Treasury Stock</b>	<b>Retained Earnings</b>	<b>Total</b>
<b>Balance - December 31, 2006</b>	\$ 636	\$ 204,022	\$ (185,747)	\$ 270,147	\$ 289,058
Net income	-	-	-	29,601	29,601
<b>Balance - December 31, 2007</b>	<u>\$ 636</u>	<u>\$ 204,022</u>	<u>\$ (185,747)</u>	<u>\$ 299,748</u>	<u>\$ 318,659</u>

See notes to financial statements.



**AURA FINANCIAL SERVICES, INC.**

## Statement of Cash Flows

Year ended December 31, 2007

**Operating activities**

Net income	\$ 29,601
Adjustments to reconcile net income to net cash used in operating activities	
Deferred tax benefit	(9,720)
Changes in operating assets and liabilities	
Receivable from broker-dealers and clearing organizations	(113,407)
Prepaid expenses and other current assets	(5,074)
Security deposit	6
Accounts payable	(100,189)
Accrued litigation	50,000
Accrued salaries and commissions	20,021
Income taxes payable	20,007
Payable to broker-dealers and clearing organizations	<u>3,177</u>
Net cash used in operating activities	<u>(105,578)</u>

**Investing activities**

Reinvestment of interest on certificates of deposit	<u>(662)</u>
Net cash used in investing activities	<u>(662)</u>
Net decrease in cash and cash equivalents	(106,240)
Cash and cash equivalents - beginning of year	<u>186,817</u>
Cash and cash equivalents - end of year	<u>\$ 80,577</u>

See notes to financial statements.

**AURA FINANCIAL SERVICES, INC.**  
Notes to Financial Statements  
December 31, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

Aura Financial Services, Inc. (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the National Association of Securities Dealers (NASD). The Company derives the majority of its revenue from commissions associated with the trading of securities, mutual funds, annuities, and other various financial instruments. The Company is an Alabama corporation with offices in Alabama, Florida, and New York.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all investments with an original maturity of three months or less to be cash and cash equivalents.

The Company maintains cash depository accounts which, at times, may exceed federally insured limits. These amounts represent actual account balances held by financial institutions at the end of the period, and unlike the balance reported in the financial statements, the account balances do not reflect timing delays inherent in reconciling items such as outstanding checks and deposits in transit. The Company has not experienced losses in such accounts and believes it is not exposed to any significant credit risk related to cash balances.

**Securities Transactions**

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities and commodities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities and commodities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

Marketable securities are valued at market value and securities not readily marketable are valued at fair value as determined by the Company.

**AURA FINANCIAL SERVICES, INC.**

Notes to Financial Statements

December 31, 2007

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Receivables**

Receivables are carried at their estimated collectible amounts. Accounts are considered past due based on their contractual terms. Receivables are periodically evaluated for collectibility based on past credit history with customers and their current financial condition. The Company closely monitors outstanding balances and writes off all balances that are deemed uncollectible. Therefore, no allowance is deemed necessary.

**Commissions**

Commissions and related clearing expenses are recorded on a monthly basis as the securities transactions occur.

**Income Taxes**

Deferred income tax assets and liabilities are computed annually for differences between the financial statement basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the period in which the differences are expected to affect taxable income.

Deferred tax assets or liabilities are classified as current or noncurrent depending on the classification of the asset or liability that produces the temporary difference. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

**Advertising Costs**

The Company expenses advertising cost as incurred. Advertising costs totaled \$2,080 for the year ended December 31, 2007.

**AURA FINANCIAL SERVICES, INC.**

Notes to Financial Statements

December 31, 2007

(Continued)

**NOTE 2 - RECEIVABLE FROM AND PAYABLE TO BROKER-DEALERS AND CLEARING ORGANIZATIONS**

The following is a summary of the receivable from and payable to broker-dealers and clearing organizations at December 31, 2007:

	Receivable	Payable
Clearing organizations	\$ 577,224	\$ 26,993
Mutual fund companies	50,724	-
	<u>\$ 627,948</u>	<u>\$ 26,993</u>

The balance shown as receivable represents commission, interest, and postage reimbursement income receivable. The balances shown as payable represents clearing and related charges.

**NOTE 3 - COMMON STOCK**

The Company has two classes of common stock issued at December 31, 2007. The holders of Class A common stock have exclusive voting power with respect to all elections of directors of the Company and in respect to all other matters as to which vote or consent of the stockholders of the Company is required to be taken. The holders of Class B common stock have no voting rights in any matters affecting the Company, except as may otherwise be expressly required by law. The holders of Class A and Class B common stock share equally and have equal rights with respect to entitlement to dividends, rights to receive distribution upon liquidation, dissolution or winding up of the affairs of the Company.

**NOTE 4 - INCOME TAXES**

Income tax expense consisted of the following at December 31, 2007:

Current expense	
Federal	\$ 15,511
State	4,496
	<u>20,007</u>
Deferred benefit	
Federal	6,781
State	2,939
	<u>9,720</u>
	<u>\$ 10,287</u>

# **AURA FINANCIAL SERVICES, INC.**

## **Notes to Financial Statements**

**December 31, 2007**

**(Continued)**

### **NOTE 4 - INCOME TAXES - Continued**

The deferred tax asset on the balance sheet is attributable to accrued litigation at December 31, 2007.

### **NOTE 5 - COMMITMENTS AND CONTINGENCIES**

The Company is a party to various regulatory investigations incidental to its securities business and has recognized a contingent liability for the settlement of these investigations of \$50,000 at December 31, 2007. Management of the Company, after consultation with outside legal counsel, believes that the resolution of these investigations will not result in any additional material adverse effect on the Company's financial condition. However, regulatory investigations and any potential disciplinary actions are subject to inherent uncertainties. Were an unfavorable outcome to occur, there exists the possibility of a material adverse impact on the results of operations for the period in which the outcome occurs.

#### **Concentrations of Credit Risk**

The Company is engaged in various trading and brokerage activities with counterparties, primarily broker-dealers, banks, and other financial institutions. Currently, substantially all of the Company's securities transactions are cleared through one broker-dealer. In the event the counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

### **NOTE 6 - RELATED PARTY TRANSACTIONS**

The Company contracted with Aura Holdings, Inc. to perform administrative and accounting services during the year and to provide payroll services for its employees. The president of the Company is a major stockholder in Aura Holdings, Inc. The amount paid for these services totaled \$2,073,500 for the year ended December 31, 2007.

### **NOTE 7 - NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1) which requires the maintenance of minimum net capital. The Company is prohibited from engaging in any security transactions at a time when its "aggregate indebtedness" exceeds fifteen times its "net capital" as those terms are defined by SEC rule 15c3-1. The SEC may also require a member organization to reduce its business if its net capital ratio (aggregate indebtedness divided by net capital) exceeds 12 to 1, and may prohibit expansion of its business if the ratio exceeds 10 to 1. The SEC requires that a minimum of \$50,000 net capital be maintained at all times. At December 31, 2007, the Company had net capital of \$243,229 which was \$193,299 in excess of its required net capital of \$50,000. The Company's ratio of aggregate indebtedness to net capital was 2.22 to 1.00.

**SUPPLEMENTARY SCHEDULES**

**AURA FINANCIAL SERVICES, INC.**  
 Computation of Net Capital Under Rule 15c3-1 of the  
 Securities and Exchange Commission  
 December 31, 2007

Net capital

Total stockholders' equity from statement of financial condition	\$ 318,659
Deduct stockholders' equity not allowable for net capital	<u>-</u>
Total stockholders' equity qualified for net capital	<u>318,659</u>

Deductions and/or charges

Nonallowable assets:

Prepaid expenses	64,680
Deferred income taxes	<u>10,750</u>
	<u>75,430</u>

Net capital

\$ 243,229

Aggregate indebtedness

Items included in statement of financial condition:

Accounts payable and accrued expenses	\$ 539,039
Total aggregate indebtedness	<u><u>\$ 539,039</u></u>

Computation of minimum net capital requirement

Minimum net capital required (6-2/3% of aggregate indebtedness)	\$ 35,954
Minimum dollar net capital requirement	50,000

Net capital requirement (greater of above) 50,000

Excess net capital at 1,000% (net capital - 10% of aggregate indebtedness) \$ 189,325

Ratio: Aggregate indebtedness to net capital 2.22

See independent auditors' report.

**AURA FINANCIAL SERVICES, INC.**  
**Reconciliation of Computation of Net Capital**  
**Under Rule 17a-5(d)(4) of the Securities and Exchange Commission**  
**December 31, 2007**

There were no material differences in the aggregate amount or in individual amounts between net capital as computed and reported in the preceding supplementary information and net capital computed and reported in the Company's corresponding unaudited Form X-17A-5, Part IIA, filed as of December 31, 2007.

See independent auditors' report.



**AURA FINANCIAL SERVICES, INC.**  
Information Pursuant to the Reserve Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission  
(Exemptive Provision)  
December 31, 2007

Rule 15c3-3 of the Securities and Exchange Commission requires the maintenance of reserves with respect to customers' cash and cash realized through the utilization of customers' securities. The Company has claimed an exemption under section (k)(2)(ii) as all customer transactions cleared through another broker-dealer on a fully disclosed basis.

See independent auditors' report.



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Derrel G. Curry, CPA

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL**

To the Board of Directors  
Aura Financial Services, Inc.  
Birmingham, Alabama

In planning and performing our audit of the financial statements and supplementary schedules of Aura Financial Services, Inc. (the Company) for the year ended December 31, 2007, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

As required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by Rule 15c-3-3

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the

objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be significant deficiencies or material weaknesses under standards established by the American Institute of Certified Public Accountants. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles (GAAP) such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. However, we noted no matters involving internal control that we consider to be significant deficiencies or material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2007 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Barfield, Murphy, Shank & Smith, P.C.*

Birmingham, Alabama  
February 25, 2008



END